



Senate

General Assembly

File No. 395

January Session, 2007

Substitute Senate Bill No. 1386

Senate, April 10, 2007

The Committee on Planning and Development reported through SEN. COLEMAN of the 2nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING COMMUNITY ECONOMIC DEVELOPMENT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective October 1, 2007*) (a) As used in this
2 section, "small business" means any business (1) which has been doing
3 business under the same ownership and management and has
4 maintained its principal place of business in the state for a period of at
5 least one year immediately prior to the date of application for
6 certification under this section, (2) which had gross revenues not
7 exceeding ten million dollars in the most recently completed fiscal
8 year, and (3) at least fifty-one per cent of the ownership is held by a
9 person or persons who exercise operational authority over the daily
10 affairs of the business and have the power to direct the management
11 and policies and receive the beneficial interests of the business, except
12 that a nonprofit corporation shall be construed to be a small business if
13 such nonprofit corporation meets the requirements of subdivisions (1)
14 and (2) of this subsection.

15 (b) The Commissioner of Economic and Community Development
16 shall establish a program of small business financial assistance. The
17 purpose of the program shall be to provide loans and loan guarantees
18 to small businesses to be used for (1) building and land purchases, (2)
19 building construction, renovation or rehabilitation, (3) purchase of
20 manufacturing equipment, and (4) daily operations, including
21 administrative and payroll costs, advertising expenses and energy
22 costs and supplies. Any small business receiving a loan under this
23 section shall be entitled to the same benefits, subject to the same
24 conditions, under the general statutes for which businesses located in
25 an enterprise zone qualify.

26 (c) The Commissioner of Economic and Community Development
27 shall adopt regulations, in accordance with the provisions of chapter
28 54 of the general statutes, to implement the provisions of this section.
29 Such regulations shall include, but not be limited to, provisions for (1)
30 an accelerated application process for such program, and (2) loan
31 procedures, repayment terms, security requirements, default and
32 remedy provisions and such other conditions and terms, not
33 inconsistent with the provisions of this section, as the commissioner
34 deems appropriate.

35 (d) The Commissioner of Economic and Community Development
36 shall administer the program established under this section or may
37 enter into a contract with the Community Economic Development
38 Fund or a nonprofit corporation operating on a regional level to
39 administer such program.

40 Sec. 2. (NEW) (*Effective from passage*) (a) The Commissioner of
41 Economic and Community Development shall establish a program to
42 promote entrepreneurial potential in youth between fourteen to
43 eighteen years of age. The program shall provide for business
44 mentoring and shall encourage access to business networks and
45 training workshops and fairs for eligible youth.

46 (b) The commissioner shall develop a public information campaign
47 to make youth, high schools and businesses aware of the program

48 established under this section.

49 Sec. 3. (NEW) (*Effective October 1, 2007*) As used in this section and
50 sections 4 and 5 of this act:

51 (1) "Artistic or cultural organization" means a nonprofit
52 organization in the state (A) which is exempt from taxation pursuant
53 to Section 501(c)(3) of the Internal Revenue Code of 1986, as from time
54 to time amended, the primary purpose of which is to provide artistic
55 or cultural exhibitions, presentations or performances for viewing or
56 attendance by the general public, not including an organization, the
57 primary purpose of which is (i) instructional, or (ii) to receive
58 contributions for and provide funding to arts organizations, and (B)
59 has an annual budget that is less than one hundred thousand dollars;
60 and

61 (2) "Commission" means the Connecticut Commission on Culture
62 and Tourism, established in section 10-392 of the general statutes.

63 Sec. 4. (NEW) (*Effective October 1, 2007*) There is established an
64 account to be known as the "artistic and cultural organization account"
65 which shall be a separate, nonlapsing account within the General
66 Fund. Moneys in the account shall be expended by the Connecticut
67 Commission on Culture and Tourism, established in section 10-392 of
68 the general statutes for the purposes of grants established in section 5
69 of this act.

70 Sec. 5. (NEW) (*Effective October 1, 2007*) (a) Annually, on or before
71 December fifteenth, an artistic or cultural organization may apply to
72 the Connecticut Commission on Culture and Tourism for a state grant.
73 The organization shall include in its application a copy of its Internal
74 Revenue Service return of organization exempt from income tax form,
75 or any replacement form adopted by the Internal Revenue Service.
76 Grants may be used for expenses incurred for annual events such as
77 family days, artist's days or final performances.

78 (b) The Connecticut Commission on Culture and Tourism may

79 adopt regulations, in accordance with the provisions of chapter 54 of
80 the general statutes, to implement the provisions of this section. The
81 regulation shall include criteria for eligible events.

82 Sec. 6. (*Effective July 1, 2007*) (a) For the purposes described in
83 subsection (b) of this section, the State Bond Commission shall have
84 the power, from time to time, to authorize the issuance of bonds of the
85 state in one or more series and in principal amounts.

86 (b) The proceeds of the sale of said bonds, to the extent of the
87 amount stated in subsection (a) of this section, shall be used by the
88 Department of Economic and Community Development for the
89 purpose of a grant to the city of Hartford to plan and contract for the
90 relocation of public service facilities underground in the area of Blue
91 Hills Avenue in said city.

92 (c) All provisions of section 3-20 of the general statutes, or the
93 exercise of any right or power granted thereby, which are not
94 inconsistent with the provisions of this section are hereby adopted and
95 shall apply to all bonds authorized by the State Bond Commission
96 pursuant to this section, and temporary notes in anticipation of the
97 money to be derived from the sale of any such bonds so authorized
98 may be issued in accordance with said section 3-20 and from time to
99 time renewed. Such bonds shall mature at such time or times not
100 exceeding twenty years from their respective dates as may be provided
101 in or pursuant to the resolution or resolutions of the State Bond
102 Commission authorizing such bonds. None of said bonds shall be
103 authorized except upon a finding by the State Bond Commission that
104 there has been filed with it a request for such authorization which is
105 signed by or on behalf of the Secretary of the Office of Policy and
106 Management and states such terms and conditions as said commission,
107 in its discretion, may require. Said bonds issued pursuant to this
108 section shall be general obligations of the state and the full faith and
109 credit of the state of Connecticut are pledged for the payment of the
110 principal of and interest on said bonds as the same become due, and
111 accordingly and as part of the contract of the state with the holders of

112 said bonds, appropriation of all amounts necessary for punctual
 113 payment of such principal and interest is hereby made, and the State
 114 Treasurer shall pay such principal and interest as the same become
 115 due.

116 Sec. 7. (*Effective July 1, 2007*) Funds are appropriated to the Office of
 117 Policy and Management, from the General Fund, for the fiscal year
 118 ending June 30, 2008, for a grant to the Northeast Neighborhood
 119 Revitalization Zone Committee for facade and other streetscape
 120 improvements in the northeast neighborhood revitalization zone in the
 121 city of Hartford.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2007</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>October 1, 2007</i>	New section
Sec. 4	<i>October 1, 2007</i>	New section
Sec. 5	<i>October 1, 2007</i>	New section
Sec. 6	<i>July 1, 2007</i>	New section
Sec. 7	<i>July 1, 2007</i>	New section

PD *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Department of Economic & Community Development	Various - See Below	See Below	See Below
Policy & Mgmt., Off.	GF - See Below	See Below	See Below
Treasurer, Debt Serv.	GF - See Below	Indeterminate	Indeterminate
Commission on Culture and Tourism	GF - See Below	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 08 \$	FY 09 \$
Various Municipalities	See Below	See Below	See Below

Explanation

Section 1 of the bill establishes a loan or loan guarantee small business assistance program within the Department of Economic and Community Development (DECD). The bill also provides that any business receiving a loan under this section shall be entitled to the same benefits as a business located in an enterprise zone. The DECD must also adopt regulations and either administer the program or contract it out. No funding is authorized for the loan program. To the extent that funds are provided for this program, additional cost to administer the program would be incurred. The DECD would require 2 additional economic development agents (1 for the loan program and 1 for the enterprise zone benefits) at $\frac{3}{4}$ year cost for salaries in FY 08 of \$97,500 and full year costs of \$135,000 in FY 09 plus fringe benefits¹ ;

¹ The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate for a new employee as a percentage of average salary is 25.8%, effective July 1, 2006. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's

additional associated other expenses costs each year of \$1,000, and additional costs of approximately \$5,000 to enable the agency to adopt regulations. In addition, since the bill would make every small business that receives financial assistance through the program eligible for enterprise zone benefits, it could result in an increase in costs to the state and a revenue loss to the state and municipalities with business recipients of the loans. The exact impact is indeterminate. Financial incentives available to the businesses include a loan program, a corporation business tax credit, and 80% property tax abatement (50% PILOT to the town).

The bill also requires the DECD to establish a program to promote entrepreneurial potential in youth, which shall include business mentoring. DECD must develop a public information campaign for the program. It is anticipated that DECD will require 1 - 2 development agents at $\frac{3}{4}$ year cost for salaries in FY 08 of \$48,750 - \$97,500 and full year costs of \$65,000 - \$130,000 in FY 09 plus fringe benefits², in addition to \$75,000 for a marketing and public information campaign.

Sections 3, 4, and 5 of the bill establish a nonlapsing General Fund account to be expended by the Connecticut Commission on Culture and Tourism (CCCT) for grants for artistic and cultural organizations. There are no funds provided to capitalize the account. CCCT may need additional funds for staff to administer the grant program depending upon the amount of funds, if any, provided to capitalize the account.

The impact of Section 6 cannot be determined because it does not specify the amount of General Obligation (GO) bonds authorized. It should be noted that the fiscal impact of authorizing and issuing GO bonds is a debt service cost to the General Fund.

certification by the actuary for the State Employees Retirement System (SERS). The SERS 2006-07 fringe benefit rate is 34.4%, which when combined with the non pension fringe benefit rate totals 60.2%.

Section 7 appropriates an unknown amount of funds to the Office of Policy and Management (OPM) from the General Fund, for the fiscal year ending June 30, 2008 for a grant. OPM may need administrative funds for staff to administer the grant program depending on the size of the appropriation. No funds are currently included in HB 7077, the Governor's recommended budget for this program.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 1386*****AN ACT CONCERNING COMMUNITY ECONOMIC DEVELOPMENT.*****SUMMARY:**

This bill requires the Economic and Community Development (DECD) commissioner to establish a small business assistance program. It also requires the commissioner to establish a program to promote entrepreneurial potential in youths between ages 14 and 18. The program must provide for business mentoring and encourage access to business networks and training workshops and fairs for these youth. The commissioner must develop a public information campaign to make youth, high schools, and businesses aware of the program.

The bill also:

1. allows small artistic and cultural organizations to apply to the Connecticut Commission on Culture and Tourism (CCCT) for grants, and establishes a separate account in the General Fund for this purpose;
2. authorizes an unspecified amount of bonds for DECD to provide a grant to Hartford to plan and contract for the relocation of utility facilities underground in the area of Blue Hills Avenue; and
3. appropriates an unspecified amount from the General Fund to the Office of Policy and Management in FY 08 to provide a grant to Hartford's Northeast Neighborhood Revitalization Zone Committee for facade and other streetscape improvements in the zone.

EFFECTIVE DATE: July 1, 2007 for the bond authorization and appropriation, upon passage for the youth program, and October 1, 2007 for the remaining provisions.

SMALL BUSINESS ASSISTANCE PROGRAM

Under the bill, a small business is a firm or non-profit organization that (1) has been doing business under the same ownership and management and has maintained its principal place of business in the state for at least one year immediately prior to the date of application for certification under the bill and (2) had gross revenues not exceeding \$10 million dollars in the last full fiscal year. In addition, in the case of a firm, at least 51% of its ownership must be held by a person or persons who exercise operational authority over the daily affairs of the business and have the power to direct the management and policies and receive the beneficial interests of the business.

The program must provide loans and loan guarantees to small businesses for (1) building and land purchases; (2) building construction, renovation or rehabilitation; (3) purchase of manufacturing equipment; and (4) daily operations, including administrative and payroll costs, advertising expenses, and energy costs and supplies. Any small business receiving a loan under the program is entitled to the same benefits, subject to the same conditions, as are available under the statutes for businesses located in enterprise zones.

The DECD commissioner must adopt regulations to implement the program. The regulations must at least include (1) an accelerated application process for the program and (2) loan procedures, repayment terms, security requirements, default and remedy provisions, and any other conditions and terms, consistent with the bill's provisions, the commissioner considers appropriate.

The commissioner must either administer this program or enter into a contract with the Community Economic Development Fund or a regional nonprofit corporation operating to administer it.

GRANTS FOR ARTISTIC AND CULTURAL ORGANIZATIONS

The bill allows an artistic or cultural organization to apply to the CCCT for a state grant by December 15th, annually. Under the bill, an artistic or cultural organization is a nonprofit organization in the state that (1) is tax exempt under Section 501(c)(3) of the Internal Revenue Code; (2) has as its primary purpose the provision of artistic or cultural exhibitions, presentations, or performances for viewing or attendance by the general public; and (3) has an annual budget that is less than \$100,000. Organizations whose primary purpose is instructional or receiving contributions, for, and providing of funding, to arts organizations are ineligible.

An eligible organization must include in its application a copy of its Internal Revenue Service (IRS) "return of organization exempt from income tax form," or any replacement form adopted by the IRS. The organizations can use the grants for expenses incurred for annual events such as family days, artist's days, or final performances.

The commission may adopt regulations to implement the program, which must include criteria for eligible events.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 19 Nay 0 (03/21/2007)